



KATHLEEN CONNELL
Controller of the State of California



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Controller of the State of California

July 6, 1998

**To the Citizens, Governor, and Members
of the Legislature of the State of California:**

I

am pleased to submit to you the *General Fund Cash Basis Report* for the fiscal year ended June 30, 1998. The General Fund, the State's primary funding source for general government services, ended the 1997-98 fiscal year with a cash surplus of \$935 million, the first time the State has recorded a surplus without short-term borrowing in the last nine years.

During the fiscal year, total receipts of \$55.262 billion exceeded total disbursements of \$53.137 billion. Receipts increased over the prior year by \$5.430 billion (10.9%). Disbursements also increased, by \$3.569 billion (7.2%). The \$2.125 billion excess of receipts over disbursements during the fiscal year allowed the State to close the year with no internal or external short-term borrowing.

This report is published to provide authoritative information under the cash basis of accounting concerning the financial status of the General Fund as close to the end of the fiscal year as possible. This report does not, however, portray a complete picture of the State's operations or financial position. After completion of the audit of the State's finances by the State Auditor, I will issue the *Budgetary/Legal Basis Annual Report*, which contains an accounting of all fund activity in compliance with state law, state accounting procedures, and the state budget. At that time, the *Comprehensive Annual Financial Report*, prepared in conformance with generally accepted accounting principles, will also be issued.

Sincerely,

A handwritten signature in cursive script, reading "Kathleen Connell".

KATHLEEN CONNELL
California State Controller

Statement of Cash Receipts, Disbursements, and Balances

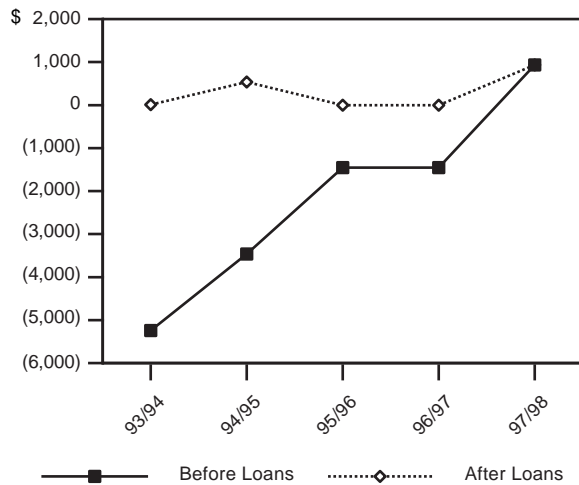
(Amounts in thousands)

	Year Ended June 30,	
	1998	1997
General Fund Beginning Cash Deficit Before Loans, July 1	\$ (1,190,387)	\$ (1,454,035)
Receipts		
Revenues	54,485,140	49,312,911
Nonrevenues	776,417	518,306
Total Receipts	55,261,557	49,831,217
Disbursements		
State Operations	14,100,727	12,417,944
Local Assistance	38,480,452	36,463,269
Capital Outlay	52,949	54,401
Nongovernmental	502,435	631,955
Total Disbursements	53,136,563	49,567,569
Receipts Over Disbursements	2,124,994	263,648
General Fund Ending Cash Deficit Before Loans, June 30	934,607	(1,190,387)
Loans		
Internal Loans		
Special Fund for Economic Uncertainties	—	281,170
Special Funds and Accounts	—	909,217
Total Loans	—	1,190,387
General Fund Ending Cash Balance After Loans, June 30	934,607	—
Special Fund for Economic Uncertainties, June 30	74,646	—
Total Cash, June 30 (Note 1)	\$ 1,009,253	\$ —
<hr/>		
Borrowable Resources (Note 2)		
Available Resources		
From Special Fund for Economic Uncertainties	\$ 74,646	\$ 281,170
From Special Funds and Accounts	6,792,184	5,961,071
Total Available Resources	6,866,830	6,242,241
Total Loans	—	(1,190,387)
Unused Resources	\$ 6,866,830	\$ 5,051,854

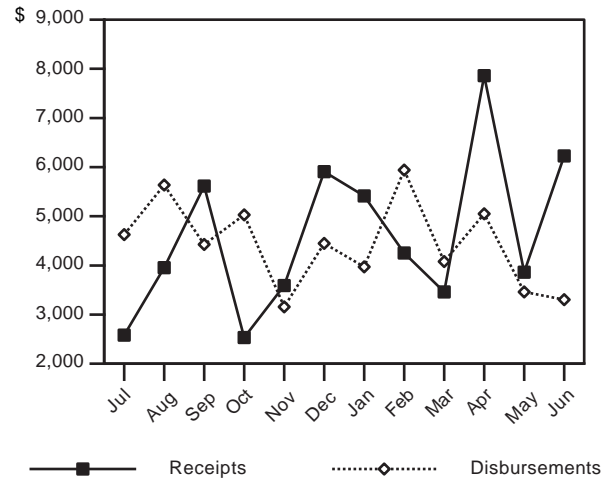
Charts of Cash Receipts, Disbursements, and Balances

(Amounts in millions)

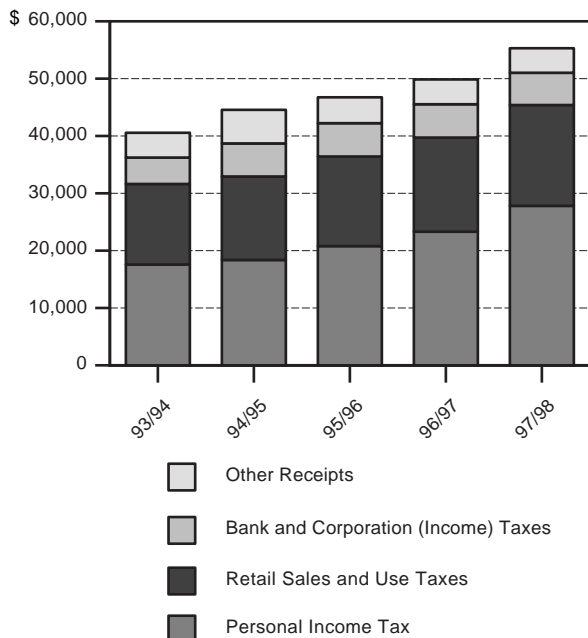
**Ending Cash Balances
Last Five Fiscal Years**



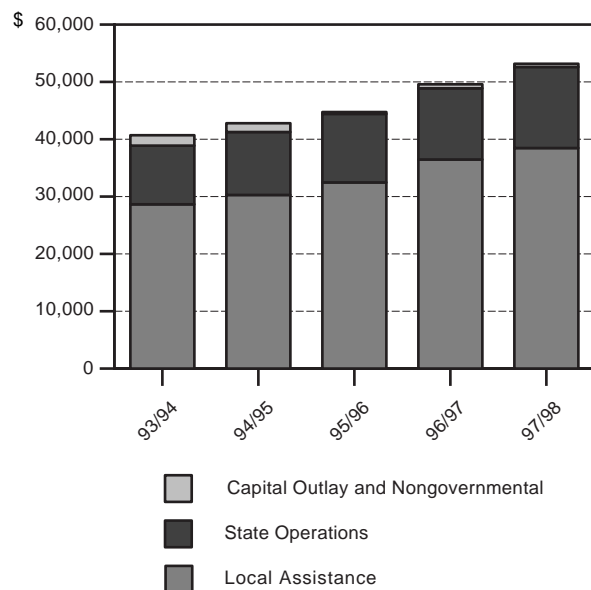
**Monthly Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 1998**



**Cash Receipts
Last Five Fiscal Years**



**Cash Disbursements
Last Five Fiscal Years**



Schedule of Cash Receipts

(Amounts in thousands)

	Year Ended June 30,	
	1998	1997
RECEIPTS		
REVENUES		
Major Taxes and Licenses		
Personal Income Tax	\$ 27,781,518	\$ 23,270,192
Retail Sales and Use Taxes	17,614,594	16,443,413
Bank and Corporation (Income) Taxes	5,587,667	5,803,648
Insurance Gross Premiums Tax	1,225,783	1,283,973
Estate Tax	785,387	754,444
Cigarette Tax	165,388	170,601
Excise Tax on Beer and Wine	144,545	143,705
Excise Tax on Distilled Spirits	125,983	125,908
Horse Racing (Parimutuel) License Fees	45,782	52,765
Inheritance Tax	1,993	2,281
Gift Tax	3	52
Total Major Taxes and Licenses	53,478,643	48,050,982
Minor Revenues		
Pooled Money Investment Income	262,015	250,684
Trial Court Revenues	190,586	313,458
Abandoned Property	189,115	190,464
State Lands Royalties	13,898	95,795
Health Care Deposit Fund Receipts	9,968	20,093
Private Rail Car Tax	6,184	6,132
Liquor License Fees	4,452	5,472
Miscellaneous	330,279	379,831
Total Minor Revenues	1,006,497	1,261,929
Total Revenues	54,485,140	49,312,911
NONREVENUES		
Transfers from Special Fund for Economic Uncertainties	317,424	43,973
Transfers from Other Funds	206,529	185,606
Miscellaneous	252,464	288,727
Total Nonrevenues	776,417	518,306
TOTAL RECEIPTS	\$ 55,261,557	\$ 49,831,217

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	1998	1997
DISBURSEMENTS		
STATE OPERATIONS		
Legislative/Judicial/Executive	\$ 787,975	\$ 777,077
Resources	481,811	516,090
State and Consumer Services	367,302	353,791
Environmental Protection Agency	58,954	61,273
Trade and Commerce	32,067	32,281
Business, Transportation and Housing	13,664	7,211
Health and Welfare		
Mental Health Hospitals	305,918	269,478
Health Services	150,225	171,993
Other Health and Welfare	171,464	215,239
Youth and Adult Correctional Agency	3,895,909	3,501,922
Education		
University of California	2,182,550	2,116,746
State University and Colleges	1,897,276	1,776,406
Other Education	134,208	127,657
Debt Service (Note 3)	1,869,928	1,927,931
Public Employees Retirement System (Note 4)	1,026,445	(214,733)
General Government	606,843	619,966
Interest on Loans	118,188	157,616
Total State Operations	14,100,727	12,417,944
LOCAL ASSISTANCE		
Judicial/Executive	569,880	523,747
State and Consumer Services	11,321	3,731
Business, Transportation and Housing	9,437	6,176
Resources	3,256	7,009
Environmental Protection Agency	2,542	2,280
Health and Welfare		
Department of Health Services	7,171,917	6,791,595
Department of Social Services	5,409,589	6,075,061
Department of Developmental Services	380,596	397,479
Department of Mental Health	286,945	140,285
Other Health and Welfare	220,290	206,683
Total Health and Welfare	13,469,337	13,611,103

(Continued)

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	1998	1997
Youth and Adult Correctional Agency	\$ 65,678	\$ 73,203
Education		
K-12 Education	19,758,033	18,113,908
Community Colleges	1,979,563	1,651,768
Teachers' Retirement System	954,174	882,631
State School Building Aid-Debt Service (Note 3)	—	2,684
Other Education	914,347	859,435
Total Education	23,606,117	21,510,426
Property Tax Relief		
Homeowners Property Tax Relief	387,048	387,743
Subventions for Open Space	36,153	35,304
Senior Citizens Property Tax	14,798	15,872
Senior Citizens Renters Relief	12,403	13,123
Sales and Property Tax Revenue Loss.....	2,570	—
Renters Tax Relief	680	1,117
Substandard Housing	370	370
Total Property Tax Relief	454,022	453,529
Miscellaneous	288,862	272,065
Total Local Assistance	38,480,452	36,463,269
CAPITAL OUTLAY		
Total Capital Outlay	52,949	54,401
NONGOVERNMENTAL (Note 5)		
Transfer to Other Funds	175,613	211,827
Transfer to Special Fund for Economic Uncertainties	112,000	305,000
Transfer to Revolving Fund	13,925	46,986
Advances		
Social Welfare Federal Fund	129,751	9,854
Trial Court Trust Fund (Note 6).....	110,000	—
Earthquake Loan Repayment	45,490	46,712
Counties for Social Welfare	(36,729)	(34,435)
State-County Property Tax Administration Program	(47,615)	46,011
Total Nongovernmental	502,435	631,955
TOTAL DISBURSEMENTS	\$ 53,136,563	\$ 49,567,569

(Concluded)

Notes to Statements and Schedules

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The *General Fund Cash Basis Report* is based on cash reported to and recorded in the records of the State Controller's Office. Amounts reported may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items between agencies, the State Treasury, and the State Controller's Office. The cash basis of accounting does not reflect accruals.

B. General Fund

The "Statement of Cash Receipts, Disbursements, and Balances" does not include cash in the Special Fund for Economic Uncertainties, if any, in the report's balances, except for the balance titled "Total Cash, June 30."

NOTE 2

BORROWABLE RESOURCES

Government Code Sections 16310 and 16418 authorize transfers to the General Fund from other funds in the State Treasury to meet the State's short-term borrowing needs. Chapter 268, Statutes of 1984, authorizes the State to borrow from external sources prior to exhausting internal sources. These external sources include Revenue Anticipation Notes (RANs), Revenue Anticipation Warrants (RAWs), and Registered Warrants.

With respect to external loans, the State issued \$3.0 billion in RANs on September 9, 1997, to meet the normal cash flow needs for the 1997-98 fiscal year. The RANs were repaid on June 30, 1998; therefore, the State ended the 1997-98 fiscal year with no external loans.

NOTE 3

STATE SCHOOL BUILDING AID – DEBT SERVICE

"State School Building Aid-Debt Service" is not included in the total of "Debt Service" under "State Operations." It is accounted for as "Local Assistance" under "Education."

NOTE 4

RETIREMENT CONTRIBUTIONS – STATE'S SHARE

Beginning in the 1993-94 fiscal year, the Legislature modified California statutes to require the State's share of retirement contributions to the Public Employee's Retirement System (PERS) to be accumulated for a 12-month period, and paid at the beginning of the second fiscal year following the fiscal year the contributions were accumulated. PERS filed suit in April 1994 challenging the legality of this modification to the statutes.

The California Appellate Court held that the statute requiring annual payments to the system resulted in an unconstitutional impairment of contract and, on that basis, invalidated the statute, thereby returning the State to a quarterly payment system. On July 30, 1997, the State paid the 1995-96 and 1996-97 fiscal years General Fund contributions (\$587.5 million and \$640.6 million, respectively) to PERS. Additionally, PERS filed a claim, in the amount of \$306.1 million, with the Board of Control for interest owed due to past deferred payments.

The State's share of the retirement contributions is charged against each agency's appropriation, based on that agency's payroll. These retirement contribution expenditures are simultaneously credited to a statewide account pending disbursement to PERS. The amount for the 1997-98 fiscal year represents General Fund contributions for the 1995-96 and 1996-97 fiscal years and the first three quarters of the 1997-98 fiscal year, with the fourth quarter payment being deferred until July 1, 1998. The negative amount for the 1996-97 fiscal year represents the difference between amounts charged to agencies and amounts transferred to PERS during that fiscal year.

NOTE 5**NONGOVERNMENTAL**

Negative balances are the result of repayments received that are greater than disbursements made during the fiscal year.

NOTE 6**TRIAL COURT TRUST FUND**

On May 29, 1998, the State Controller, the State Treasurer, and the Governor authorized a loan from the General Fund to the Trial Court Trust Fund, in the amount of \$110 million, as requested by the Judicial Council pursuant to Government Code Section 16351. On June 2, 1998, a transfer was made from the General Fund to cover obligations of the Trial Court Trust Fund. This loan is to be repaid to the General Fund on or before July 31, 1998.